

1-1967

1968 - Year of the Leaky Pocketbook

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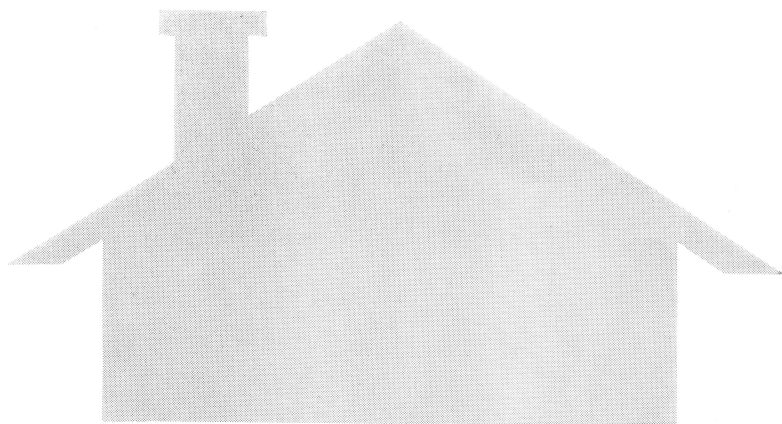
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Recommended Citation

Maxon, Richard C. (1967) "1968 - Year of the Leaky Pocketbook," *Iowa Farm Science*: Vol. 22 : No. 7 , Article 16.

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HOME AND GARDEN

1968 - Year of the Leaky Pocketbook



by Richard C. Maxon

IN THE CHINESE custom of naming years, 1968 becomes "Year of the Monkey". Budget minded Americans might feel this is appropriate as the coming year will certainly involve *monkeying* with the family budget and buying

habits to maintain a reasonable balance between income and outgo.

The last six months of 1967 saw a sharp upward slant in the prices of nearly all consumer goods and services. The December Consumer Price Index will probably be 3 percent above December, 1966.

Declines in food prices late in 1966 and early 1967 offset other price increases until April of last

year. Since then, prices have been increasing at an accelerating rate. The Consumer Price Index rose three-tenths of one percent from January through March. By September, the Index was 2.6 percent above September, 1966. Retail food prices rose by 2 percent in the third quarter of 1967. Forces causing increased prices have intensified in the past few months.

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Consumer prices will probably rise another 3½ to 4 percent in 1968. While the rate of increase will not be equal for all products and services you buy, it isn't likely that any one category of purchases will decline enough to offset higher prices in another. Here's what seems to be in store for 1968 in major areas of consumer spending:

Food

Food prices will probably advance 2½ to 3 percent during 1968. The price of meals away from home will continue to advance, but probably not as much as the 5 percent increase experienced in 1967. Low grain prices could bring larger supplies of meats and lower prices later in the year. Higher dairy product prices are due from government actions and increased marketing costs, but dairymen are apprehensive over declines in milk consumption after 1967 price boosts.

Egg production will fall and prices will increase as producers recoil from 1967's low prices. Broilers may be in somewhat larger supply, but turkeys will be less plentiful. All segments of the marketing system are expected to try for higher margins to offset higher costs of doing business and lower net earnings in 1967.

Other Non-durable Products

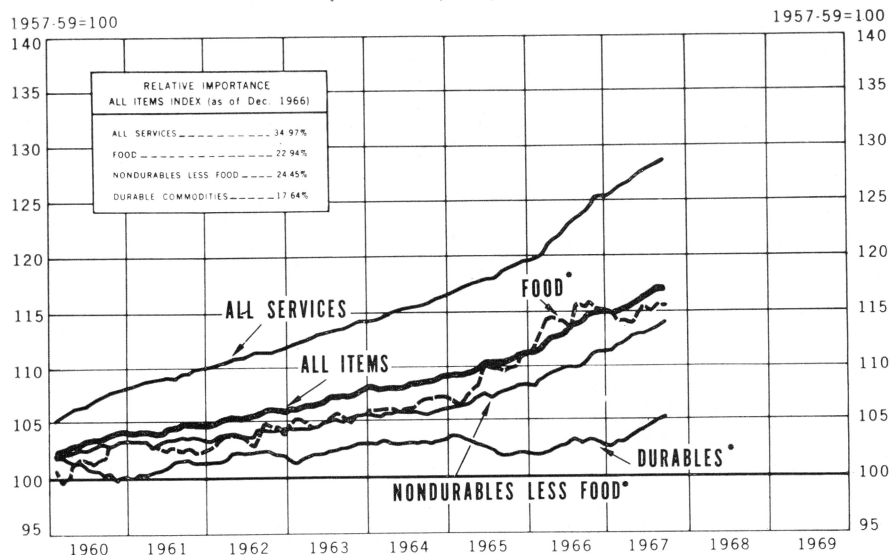
Higher clothing prices are coming primarily from increasing costs of manufacturing and distribution. Here and there, signs of recession in hemlines appear, but unfortunately, the declines won't carry through to price tags. America's productive know-how continues to supply ingenious, albeit expensive solutions to problems caused by today's higher fashions and lower furniture.

Consumer Durables

Prices of durable goods (furniture, appliances, automobiles) will probably rise significantly during the months ahead. Higher production costs and strong consumer demand are forces propelling the trend. Consumer reaction to higher credit costs could weaken demand and restrain price advances after midyear.

CONSUMER PRICE INDEXES: COMMODITIES AND SERVICES

*(Seasonally Adjusted)



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Latest Date: SEPTEMBER 1967

Services

The prices of services have been the fastest rising component of consumer spending. Service costs are primarily labor costs which cannot be offset by any appreciable gains in productivity. Service prices in 1968 will probably increase by the same amount as in 1967.

What You Can Do

Increasing attention should be paid to *where* you shop as well as to *what* you buy. Competition and costs are forcing the marketing system in two directions as businessmen seek higher volume and increased profits.

Some retailers are seeking increased profits. Some retailers are seeking increased sales by higher quality products, increased services, more luxurious store decor, and more elaborate sales promotions — “upgrading,” the trade calls it.

Other stores are taking an opposite tack: simplifying lines, dropping some services, reducing store hours and promotional efforts, and seeking less expensive operating methods. Which type of store you choose to patronize and what products you buy are, of course, matters of personal and family preference. Recognize, however, that

your choices in products and conditions under which you buy them are increasing.

Take a closer look at the possibilities of increased home production of some products and services. Would some additional equipment or a few lessons from adult education classes reduce your reliance on hired assistance? Have you checked your operating manuals or operating procedures to see if service is really required? Do you give explicit instructions on work to be done, or have a clear understanding on what services are needed before the work begins? Do you understand what you can expect, and what is required of you under the newer warranties for automobiles and appliances?

Be certain that you understand all of the costs and conditions involved in credit. A “Truth in Lending Bill” may be enacted in 1968 and some facts may be easier to come by. Legislation cannot substitute for your own understanding of the costs and obligations incurred.

National and international monetary developments late in 1967 make substantially higher interest costs a certainty for 1968. Credit is no longer a small price for convenience, but a major cost to be evaluated as carefully as the goods and services you may buy with it.